

Message Text

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ACTION XMB-04

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 /052 W
-----120344Z 000781 /12
R 101555Z MAY 77
FM AMEMBASSY SANTO DOMINGO
TO SECSTATE WASHDC 587

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PASS EXIMBANK

E.O. 11652: N/A
TAGS: EGEN, EFIN, ENRG, DR
SUBJECT: EXINBANK: CDE PROPOSES CHANGES IN \$47 MILLION CREDIT

REF: BOWEN/SMITH TELCON OF MAY 9

1. CDE ADMINISTRATOR PEDRO CASALS CALLED AT THE EMBASSY LAST WEEK AND LEFT A COPY OF THE AGREEMENT SIGNED ON JANUARY 30, 1976, AMONG CDE, THE DOMINICAN REPUBLIC AS GUARANTOR, THE BANK OF NOVA SCOTIA, AND THE EXPORT-EMPOR BANK PROVIDING FOR \$47 MILLION IN CREDIT FOR THE PURCHASE OF A 116-MEGAWATT THERMAL UNIT WITH TRANSMISSION LINES AND SUBSTATIONS.

2. CASALS ALSO LEFT A MIMEOGRAPHED DOCUMENT IN SPANISH ON CDE LETTERHEAD WHICH WAS ENTITLED "NOTES TO AMEND EXIMBANK CONTRACT CREDIT NO. 6127 OF JANUARY 30, 1976." HE MAY SHORTLY BE RAISING THESE ITEMS DIRECTLY WITH THE EXIMBANK.

3. THE FOLLOWING IS THE EMBASSY'S TRANSLATION OF CASALS' NOTES.

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INCLUDE ONE OR MORE THERMOELECTRIC UNITS, TRANSMISSION LINES, SUBSTATIONS, ELECTRIC MEASURING DEVICES, BEARING THE NAME "INVESTMENT PROJECT 1977."

CONSIDER THE POSSIBLE SUBSTITUTION OF A 116-MW THERMAL UNIT BECAUSE THE DOMINICAN ELECTRIC CORPORATION IS STUDYING THE ACQUISITION OF ONE OR MORE UNITS OF GREATER CAPACITY. FURTHERMORE, WE HAVE ADDED THE MEASURING DEVICES BECAUSE WE ARE

CONSIDERING THE POSSIBILITY OF THIS EQUIPMENT BEING FINANCED WITH THE EXIMBANK CREDIT.

PARAGRAPH 3

INCREASE THE WORK'S TOTAL COST FROM 47.0 MILLION TO 100 MILLION. THIS INCREASE IS OBTAINED FROM THE ENGINEERS' ESTIMATE ON THE APPROXIMATE COST OF TWO 150-MW THERMOELECTRIC UNITS.

PARAGRAPH 5

THE BANK'S CREDIT WAS LEFT IN THE AMOUNT OF \$18,000,000, MEANING THAT IT WAS NOT CHANGED BECAUSE THE RATE OF INTEREST FOR THIS PART OF THE CREDIT IS LESS CONVENIENT TO THE DOMINICAN ELECTRIC CORPORATION. WE WISH TO EXTEND THE LAST DISBURSEMENT DATE TO FEBRUARY 15, 1981, IN VIEW OF THE DELAY THAT HAS OCCURRED IN DETERMINING THE WORKS TO BE UNDERTAKEN.

PARAGRAPH 6

INCREASE FROM 23.5 TO 71.200 THE DIRECT EXIMBANK CREDIT. THIS SUBSTANTIAL INCREASE IS DUE, AS MENTIONED EARLIER, TO THE FACT THAT WE CONSIDER THAT THE ENTIRE FINANCING SHOULD BE PROVIDED DIRECTLY BY THE EXIMBANK.

PAGE 2, ARTICLE 1, PARAGRAPH 2

THE PERCENTAGES OF THE CREDITS, ACCORDING TO THEIR ORIGIN, WOULD BE MODIFIED, AS PREVIOUSLY MENTIONED, IN THE FOLLOWING MANNER:

NAME	MAXIMUM AMOUNT	MAXIMUM PERCENTAGES OF TOTAL PURCHASE PRICE
CREDIT GUARANTEED BY		
THE BANK	14,100,000.00	14.1 PERCENT
CREDIT NOT GUARANTEED		
BY THE BANK	4,700,000.00	4.7 PERCENT
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EXIMBANK CREDIT	71,200,000.00	71.2 PERCENT
TOTAL	90,000,000.00	

PAGE 3, ARTICLE 2, PARAGRAPH A

AS A RESULT OF THE DELAY IN CARRYING OUT THE WORKS, REIMBURSEMENTS SHOULD BEGIN IN 1981.

ARTICLE 2, PARAGRAPH B

WE WISH TO OBTAIN A LOWER INTEREST THAN EIGHT PERCENT AS REGARDS THE EXIMBANK CREDIT, AND LIKEWISE MAINTAIN THE RATE OF INTEREST ON A LIBOR BASIS, IN THE CASE OF LONG-TERM LOANS, BUT UP TO A MAXIMUM OF EIGHT PERCENT.

ARTICLE 2, PARAGRAPH H

COMMITMENT FEES

THE COMMITMENT FEE SHOWN IN THIS PARAGRAPH SHOULD BE APPLICABLE AS FROM JANUARY 1, 1978, SINCE THE INVESTMENT PROJECTS ARE NOT WELL DEFINED AS REGARDS THE MANUFACTURER OF THE EQUIPMENT, AND A DISBURSEMENT PROGRAM SHOULD BE INCLUDED, IN ORDER TO ELIMINATE THE POSSIBILITY OF A COMMITMENT FEE.

THIS COMMITMENT FEE MUST BE SERIOUSLY DISCUSSED, SINCE UP TO THIS DATE, EXIMBANK IS DEMANDING PAYMENT OF RD\$200,000.00

AND IT C

N INCREASE CONSIDERABLY.

ARTICLE 5, PARAGRAPH C, NUMBERS 7 AND 8

NEGATIVE BORROWING AGREEMENT

MOST OF THE STIPULATIONS INCLUDED IN THIS PARAGRAPH RESTRICT THE AUTONOMY OF THE DOMINICAN ELECTRIC CORPORATION, PARTICULARLY CLAUSES 7 AND 8. WE CONSIDER THAT ANY "NEGATIVE BORROWING AGREEMENT" IS UNNECESSARY, SINCE THE DOMINICAN STATE'S UNLIMITED GUARANTEE CAN BE DEPENDED UPON.

ARTICLE 6, NUMBER 2

IN THIS PARAGRAPH, WE CONSIDER THAT THERE CAN BE NO LEGAL OPINION FOR THE TIME BEING, AS TO THE VERACITY OF THE BORROWER'S STATEMENTS AND GUARANTEES, WHICH IT MENTIONS IN CLAUSES 1 TO 6 OF PARAGRAPH "A," ARTICLE 5, SINCE THIS CONTRACT, IN MENTIONING THE DOMINICAN STATE AS THE GUARANTOR, NEEDS TO BE RATIFIED BY THE NATIONAL CONGRESS. THEREFORE, THIS CONTRACT IS OF A PROVISIONAL AND NOT FINAL NATURE, AS STIPULATED IN ARTICLE 55, CLAUSE 10, OF LIMITED OFFICIAL USE

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THE CONSTITUTION OF THE DOMINICAN REPUBLIC.

ARTICLE 6, NUMBER 5

ACQUISITION PROGRAM

WE CONSIDER THAT, SINCE THERE IS NO PURCHASE CONTRACT FOR THE EQUIPMENT, THIS PRIOR CONDITION HAS NOT BEEN COMPLIED WITH.

ARTICLE 7, PARAGRAPH A

CANCELLATION BY BORROWER

IN VIEW OF THIS PARAGRAPH, THE POSSIBILITY OF POSTPONING THIS CONTRACT COULD BE CONTEMPLATED, UNTIL AN ACQUISITION PROGRAM HAS BEEN PREPARED, IN ORDER NOT TO CONTINUE INCURRING ADDITIONAL EXPENSES WITHOUT MAKING ANY DISBURSEMENTS.

ARTICLE 8, PARAGRAPH A, NUMBER 4

THE FIRST QUARTERLY PROGRESS REPORT MENTIONED IN THIS ARTICLE SHALL BE DUE ON DECEMBER 30, 1977.

ARTICLE 9

CASES OF DEFAULT

WE CONSIDER THAT THE CASES OF DEFAULT MENTIONED IN THIS ARTICLE ARE UNJUSTIFIED, FOR THE EXIMBANK TO DEMAND FORTHWITH BY A SIMPLE NOTICE, THE TOTAL AMOUNT OF PRINCIPAL AND INTEREST OUTSTANDING AND NOT DUE, IN ACCORDANCE WITH THE METHODS OF PAYMENT STIPULATED IN THE CONTRACT.

ARTICLE 10, PARAGRAPH I

THE PART REFERRING TO EXPENSES IS DEFINED TOO BROADLY FOR COMPLIANCE BY THE BORROWER AND THE GUARANTOR.

PARAGRAPH M

GUARANTEE FEE

WE CONSIDER THAT THIS PARAGRAPH, ESTABLISHING A GUARANTEE FEE OF ONE PERCENT PER ANNUM ON THE BALANCE OF THE OUTSTANDING PRINCIPAL, INCREASES THE COST OF THE CREDIT TOO MUCH. THIS CHARGE SHOULD BE REDUCED TO A MINIMUM AND, IF POSSIBLE, BE PAYABLE ONLY ONCE

AS A COMMISSION CHARGE. END TEXT
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
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Expiration:
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Review Media Identifier:
Review Release Date: n/a
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Review Transfer Date:
Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: EXINBANK: CDE PROPOSES CHANGES IN \$47 MILLION CREDIT
TAGS: EGEN, EFIN, ENRG, DR, XMB, (CASALS, PEDRO)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/27084597-c288-dd11-92da-001cc4696bcc
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